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Central Intelligence Agency

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Washington, D.C. 20505

DIRECTORATE OF INTELLIGENCE

21 October 1985

Japan-US: Nakasone's Visit [redacted]

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Summary

Prime Minister Nakasone views his trip to the United States and his meeting with President Reagan as providing opportunities to defuse protectionist pressures in the United States and enhance his reputation at home as one of Japan's most effective international leaders. We believe Nakasone will seek to assure his US audience that Japan is working to reduce trade frictions, but in our judgment Tokyo's market-opening and domestic stimulus measures will be insufficient to have much impact on the trade imbalance in the near term. We expect Nakasone will focus primarily on common strategies in fighting protectionism. [redacted]

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This memorandum was prepared by [redacted] Office of East Asian Analysis. Information available as of 21 October 1985 was used in its preparation. Comments and queries are welcome and may be directed to the Chief, Japan Branch, Northeast Asia Division, OEA, [redacted]

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Protectionist Pressures

In our view, Nakasone wants to go to his meeting with the President armed with some ammunition to help President Reagan combat protectionist legislation. The Prime Minister's desire for a successful meeting may lead him to make a commitment without first clearing it with party leaders and the bureaucracy--as he did last January when he promised to eliminate trade barriers in key sectors such as telecommunications.

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We believe that Nakasone could deliver on such promises only if the yen strengthens further, Tokyo adopts voluntary export restraints (VERs), or Japanese domestic demand increases. Nakasone is likely to announce that measures will be taken to reduce the economy's dependence on export-led growth, but a dramatic change in Japan's economic structure is unlikely to result from these measures. Broadbased support for such preemptive steps as VERs is unlikely to emerge, moreover, because many Japanese officials believe that the protectionist mood in Congress has subsided somewhat. If Nakasone offers concessions before consulting the LDP, opposition by party leaders to such measures will probably be stiff, further limiting his ability to honor his commitment. According to a poll of the Lower House members, 55 percent of Dietmen believe domestic industries should not be "victimized" in efforts to reduce the trade friction.

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Playing to His Strengths

In public appearances during his trip, Nakasone will probably use the time-tested strategy of diverting attention from contentious trade issues by stressing other priority themes. He is likely to endorse the need for Western unity before the Reagan-Gorbachev summit. To demonstrate Japan's growing international role, the Prime Minister may point to Tokyo's commitment to double official development assistance over the next seven years and to increase aid to such "strategic" areas as Central America. While playing down the failure to abolish the 1-percent-of-GNP defense spending limit, he will probably emphasize the upgrading of the five-year defense plan to a government program and Tokyo's continued efforts to increase defense spending. Nakasone will probably steer clear of specifics in discussions of trade policy and is likely to state that Japan is doing its part and that other countries must also share responsibility for the world economy.

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Nakasone wants his US visit to strengthen his political hand at home. A successful trip would help Nakasone maintain his popularity in public opinion polls--holding steady with an approval rating of over 50 percent. This, in turn, would make it easier for him to shepherd such controversial bills as electoral redistricting through the current Diet session--a necessity if he is to have any hope of extending his term beyond October 1986.

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